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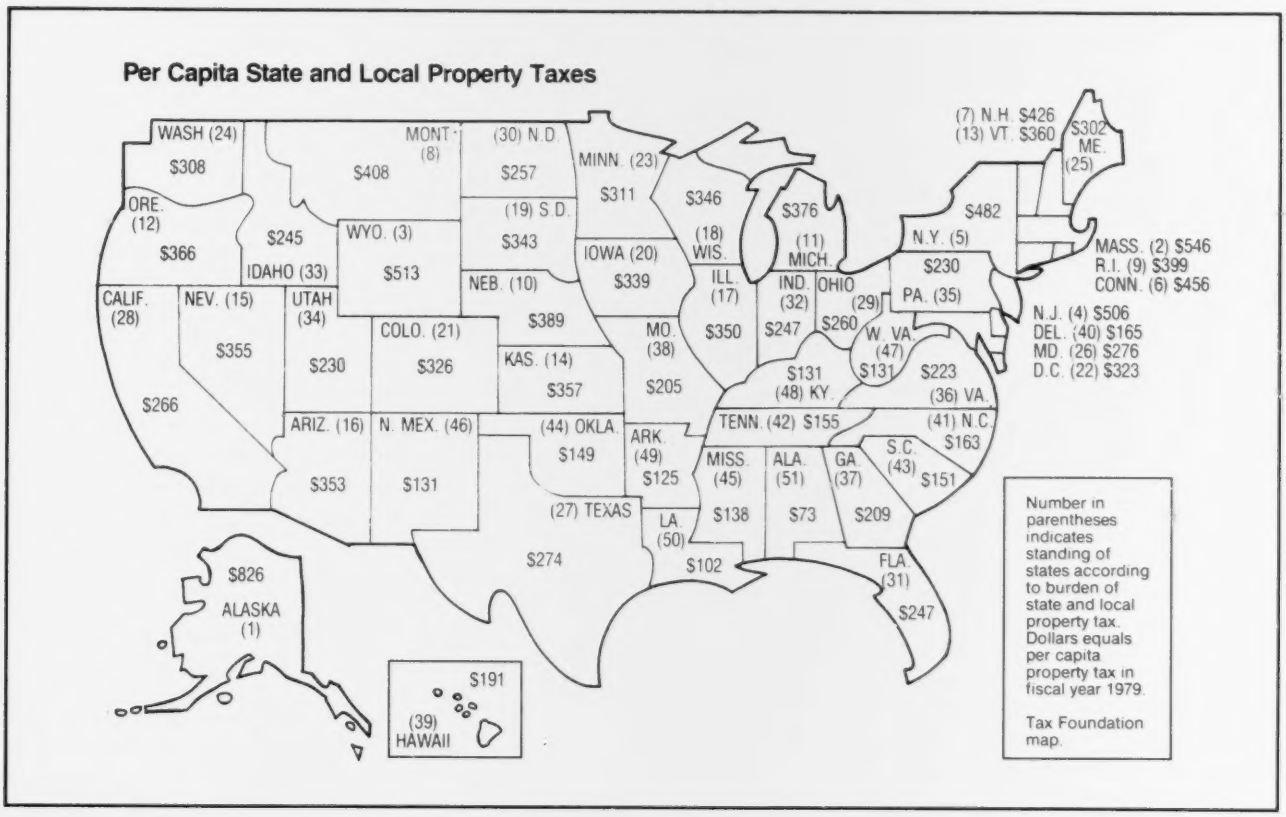

Property Taxes Show First Decline Since World War II; Most of Drop Occurs in California Following "Prop 13"

Growth in property taxes temporarily halted in 1979, according to Tax Foundation economists, as total collections in the United States dropped from $66.4 billion to $64.9 billion. This 2.2 percent decline marked the first reduction in state and local property tax collections since World War II. (Local taxes comprise 96 percent of all property taxes.) Researchers at the Foundation attribute the 1978 to 1979 drop almost entirely to the impact of Proposition 13 in California, where property tax collections fell by nearly $5.0 billion, or 45.1 percent. Property tax collections were up in every other state except Maryland, where they dropped by a modest $18.4 million, or 1.6 percent.

Total U.S. collections, excluding California, rose from $283 per capita in 1978 to $298 in 1979—an increase of 5.5 percent.

The highest per capita levels recorded in 1979, next to Alaska's leading $826, were in Massachusetts ($546), Wyoming ($513), New Jersey ($506), New York ($482), and Connecticut ($456). These compared to

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The Front Burner

By Robert C. Brown
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"Some Thoughts on Buzz Words"

Buzz words fill an important function in communication. They provide a conceptual shorthand, whereby paragraphs of meaning can be conveyed by a single term. They also carry an enormous amount of emotional freight relative to their size.

There are, however, dangers in buzz words. Like campaign slogans and ideological wall posters, they oversimplify the issues. In time, they distort or even replace the legitimate concepts for which they once stood.

Also, because of the heavy emotional charge they bear, buzz words frequently end up generating more heat than light in the public debate. They become barriers, rather than conduits, to effective communication.

This is where we find ourselves as the Administration's tax reduction and spending restraint program begins its journey through Congress. The sweeping nature of the overhaul proposed for taxing and spending policy has encompassed just about everyone's favorite cause. Buzz words are going off like alarms during a fire drill: poverty, hunger, national defense, public health, the aged, free trade.

Every buzz word describes a legitimate concern of our society. Every buzz word also represents a "cause" which has now acquired a constituency of its own. In Washington, the tail often ends up wagging the dog, and the goal becomes more money, more staff, more clients—well beyond the level needed or intended when a given program was established. Members of Congress and professional bureaucrats have built entire careers around a single government-funded program. Special interest groups have achieved a momentum which often transcends the legitimate viewpoint which inspired their formation, so that the goal becomes to perpetuate the interest group rather than to fulfill its original mission. Clients—whether they be the so-called "Beltway Bandits" or food stamp recipients—have planned their lives around "business as usual," and then some.

That cries of outrage are coming from almost the entire spectrum of these interest groups lends credence to the thought that the Administration just may have done the job right. But the strong beginning will die aborning unless the decision makers—and the general public upon whose support they rely—learn to see beyond the buzz words to the issues they obscure.

Part of effective leadership is accurate and timely communication. In the weeks and months to come, some people in the public eye—among them, legislators, representatives of interest groups, members of the business community—will fight, with a barrage of buzz words, the effort to slow the growth of spending and cut taxes. We can only hope that others will be equally vigorous in insisting that the debate be conducted on the issues and that every group in our society accept its fair share of the burden of restructuring Federal taxing and spending policy.

TF President Roderick Backs Cuts; Calls for Investment Incentives

David M. Roderick, President of the Tax Foundation's Board of Trustees, testified before the House Budget Committee on February 25 on the Reagan Administration's spending and tax reduction package. Roderick, Chairman and Chief Executive Officer of United States Steel Corporation, urged that "the spending and the tax cuts move along parallel tracks." "It is absolutely necessary for the people to perceive in this country that we are really looking at both sides of that problem," he told the Committee.

Roderick spent the entire morning before the Committee, which is chaired by Representative Jim Jones (D-Okla.), delivering a prepared statement and responding to questions from Committee members. He explained that he was speaking both as Chairman of U.S. Steel and "as a citizen deeply concerned about the extremely weak and deteriorating condition of our nation's overall economy."

In his testimony Roderick described an economic climate in which corporations "are forced to do business amid great inflationary pressures and with interest rates which are simply not affordable either privately or from a corporate point of view." He said that this climate was hobbling industry's ability to use "the resources of labor and capital to achieve desperately needed increases in productivity."

Pointing out that "increases in capital investment and worker efficiency go hand in hand," Roderick told the Committee, "we will not get inflation under control until our industrial productivity increases significantly."

"The expenditure restraints which have been proposed," Roderick said, appear to be "achievable and . . . equitably distributed among the var-

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TF Trustee Calls Economic Climate "Out of Control"

Roland M. Bixler, Trustee of the Tax Foundation, testified before Congressman Jim Jones's (D-Okla.) House Budget Committee on February 24. In his prepared remarks, Bixler explained that he was appearing as President of J-B-T Instruments, Inc., an independent small manufacturer of electronic components headquartered in New Haven, Connecticut.

"Small and moderate size businesses," Bixler told the Committee, "have an obvious great stake in the success of the program to revitalize our economy and in the budget process, which carries such a large burden in implementing that program." He stressed that "there is no single problem facing the business community, small or large, more serious than the out-of-control economic climate in which we do business." This climate, he said, hindered businesses from raising equity capital and employing labor and capital effectively.

Many small businesses, Bixler explained, "have a variety of investment projects that they would very much like to move forward on, but simply cannot justify on the basis of prospective returns on investment in today's inflationary environment and the accompanying interest rates."

Bixler told the Committee that he viewed "the opportunity to change our economic direction now as perhaps the 'last, best chance' for a revitalization of industry under market guidelines rather than government-imposed standards." Conceding that certain cuts would hurt the small businessman, Bixler said, "I think we have to step up to bat along with all the other sectors of the economy."

"The depreciation reform incorporating the bulk of the 10-5-3 legislation obviously would be of substantial benefit in modernizing our cost-recovery system and speeding productive capital investment," he said. Individual rate reduction would "both encourage savings and work incentives and also offer some relief from the inflation tax penalty," he noted, pointing out that "significant rate relief is long overdue."

Bixler also cautioned against adding "other tax provisions, as attractive as they may be," onto the program. "The tax program should be kept as clean as possible in order to get on with it early in this session."

Property Taxes

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the U.S. average level of $295 per capita (including California).

The states with lowest per capita collections were Alabama ($73), Louisiana ($102), Arkansas ($125), Kentucky ($131), West Virginia ($131), and New Mexico ($131).

The total dollar amount of state and local property taxes more than doubled from 1969 to 1979, rising 111.7 percent over the decade. During the same period, population rose by a scant 9.0 percent. On a per capita basis, property taxes were up 94.2 percent for the decade.

The highest rate of growth in per capita property taxes for the ten-year period occurred in Alaska, where collections increased 696 percent.

States following Alaska in highest growth were Virginia (170 percent), Wyoming (162 percent), Georgia (156 percent), and Rhode Island (154 percent).

For the year 1979 there was a marked acceleration in property tax collections in several states. Idaho's per capita collections grew by 14.0 percent from 1978 to 1979, compared to an average annual growth of 6.1 percent over the period 1968-1978. Delaware collections per capita rose by 13.0 percent in 1979 (up from a 7.2 percent rate); Nevada by 11.9 percent (up from 5.8 percent); Utah by 11.7 percent (up from 5.2 percent); Nebraska by 11.1 percent (up from 6.5 percent); and Oklahoma by 11.1 percent (up from 4.7 percent).

Despite a doubling of the property tax bill in the 1970s, property tax collections were outpaced by personal income growth, Tax Foundation economists report. Per dollar of personal income, property taxes declined by 15 percent over the 1969-1979 period. A total of 40 states, including the District of Columbia, showed decreases in property taxes relative to personal income in the past decade.

The highest property taxes in 1979, per $1,000 of personal income, were paid in Alaska ($76), Massachusetts ($69), Wyoming ($63), Montana ($61), New Hampshire ($59), and New York ($58). The average nationwide in 1979 was $38 per $1,000 of personal income, compared to $45 in 1969.

Relative to personal income, the greatest property tax reductions in the 1969-1979 decade were in California (down 52 percent, from $63 to $30 per $1,000); North Dakota (38 percent, from $59 to $36); Indiana (34

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Property Tax Trends—All States

Fiscal Years 1969-1979

Year	Total collections (billions)	Per capita	Per $1,000 of personal income	Percent of state and local tax collections
1968	$27.7	$139	$44	41.1
1969	30.7	152	45	40.0
1970	34.1	168	46	39.2
1971	37.9	184	47	39.9
1972	42.9	206	50	39.1
1973	45.3	216	48	37.4
1974	47.7	226	45	36.5
1975	51.5	242	45	36.4
1976	57.0	266	45	36.3
1977	62.5	289	46	35.5
1978	66.4	305	44	34.3
1979	64.9	295	38	31.6

Source: Bureau of the Census, Department of Commerce, and Tax Foundation computations.

Roderick

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ious sectors of the population." Recognizing that the "dollar amounts involved seem staggering," Roderick emphasized that, "large as they may seem, these are reductions in the growth of spending, not cuts in current expenditures."

Roderick also backed the Administration's effort to recover "clearly allocable costs from users," noting that user fees for waterways would cost his own firm "several millions by 1983." In order "to get this nation moving again," he told the Committee, "we willingly accept our share of this effort." He said that he views this and other costs which would be incurred by U.S. Steel as "necessary sacrifices which we and others must make to get government spending under control."

Roderick backed cuts in "politically popular, but unproductive, job programs," as well as tightening up on "credit available through the Export-Import Bank even though this could to some extent hamper the business sector's ability to export." Recognizing that "virtually every dollar spent by the Federal government has its own constituency," Roderick cautioned, "it is for the Congress, specifically the spending and budget committees of both Houses, to stand firm."

The Administration's tax cuts, Roderick said, would "significantly assist the business community to do its part in achieving the goal of reindustrializing America." He called the 10-5-3 capital cost recovery concept "more necessary now than ever," explaining that this reform "will help us streamline our cost recovery system and, most importantly, speed up capital investment in new productive facilities." He also called for cuts in the individual tax rates to lessen the impact of inflation on individual taxpayers.

Roderick also argued for regulatory reform, pointing out to the Committee, "we are drowning in a sea of red tape brought about by overregulation."

Property Taxes

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percent, from $49 to $32); Louisiana (33 percent, from $23 to $15); and Oklahoma (33 percent, from $31 to $21).

Taxpayers could take small consolation from relief on the property tax front, as other state and local taxes more than tripled, rising 180 percent per capita in the decade. Property taxes accounted for 40 percent of the $380 paid in state and local taxes per capita in 1969, but covered only 32 percent of the $934 paid per capita in 1979.

The accompanying tables provide details on state-by-state property tax collections in 1969 and 1979, as well as on overall trends in the interim years.

Property Tax Collections by State

Per Capita and Per $1,000 of Personal Income

Fiscal Years 1969 and 1979

State	Per capita property tax: Amount 1969	Amount 1979	Percent increase	Rank 1979	Property tax per $1,000 of personal income: Amount 1969	Amount 1979	Percent change	Rank 1979
U.S. AVERAGE	$152	$295	94	—	$45	$38	−15	—
Alabama	36	73	100	51	15	12	−24	51
Alaska	104	826	696	1	26	76	+195	1
Arizona	155	353	128	16	52	50	−4	13
Arkansas	58	125	115	49	25	21	−17	45
California	249	266	7	28	63	30	−52	35
Colorado	171	326	91	21	53	42	−20	20
Connecticut	210	456	117	6	50	51	+3	11
Delaware	77	165	116	40	20	19	−5	49
Florida	114	247	117	31	37	34	−9	29
Georgia	82	209	156	37	30	31	+5	34
Hawaii	87	191	118	39	26	23	−9	43
Idaho	117	245	110	33	45	36	−19	28
Illinois	173	350	102	17	44	39	−10	23
Indiana	165	247	49	32	49	32	−34	32
Iowa	177	339	91	20	54	42	−22	19
Kansas	179	357	99	14	55	46	−17	17
Kentucky	64	131	103	48	24	20	−18	47
Louisiana	60	102	68	50	23	15	−33	50
Maine	149	302	103	25	53	48	−9	14
Maryland	145	276	90	26	39	33	−15	31
Massachusetts	225	546	143	2	59	69	+17	2
Michigan	165	376	127	11	45	44	−2	18
Minnesota	156	311	99	23	47	40	−16	22
Mississippi	60	138	130	45	29	25	−13	39
Missouri	122	205	68	38	38	28	−25	38
Montana	194	408	110	8	66	61	−8	4
Nebraska	201	389	93	10	63	52	−18	10
Nevada	165	355	115	15	42	40	−6	21
New Hampshire	185	426	129	7	58	59	+1	5
New Jersey	227	506	123	4	58	58	(*)	7
New Mexico	77	131	71	46	29	20	−28	46
New York	211	482	128	5	52	58	+13	6
North Carolina	68	163	140	41	26	25	−4	40
North Dakota	163	257	58	30	59	36	−38	27
Ohio	146	260	78	29	42	33	−22	30
Oklahoma	89	149	68	44	31	21	−33	44
Oregon	181	366	102	12	55	47	−16	15
Pennsylvania	106	230	117	35	31	30	−5	36
Rhode Island	157	399	154	9	44	53	+20	9
South Carolina	49	151	205	43	21	24	+15	41
South Dakota	204	343	68	19	71	50	−30	12
Tennessee	68	155	127	42	27	24	−10	42
Texas	118	274	131	27	40	36	−9	26
Utah	130	230	77	34	47	37	−22	25
Vermont	151	360	139	13	51	56	+9	8
Virginia	83	223	170	36	27	29	+7	37
Washington	135	308	128	24	38	38	−1	24
West Virginia	64	131	105	47	26	20	−23	48
Wisconsin	193	346	79	18	58	46	−19	16
Wyoming	196	513	162	3	62	63	+1	3
District of Columbia	151	323	115	22	34	32	−6	33

(*) Decrease of less than 0.5%.

Source: Bureau of the Census, Department of Commerce, and Tax Foundation computations.